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C O N F I D E N T I A L KATHMANDU 002738

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TAGS: [PGOV](#) [PTER](#) [NP](#)

SUBJECT: CENTER-LEFT LEADER DESCRIBES CHALLENGES AS PEACE  
SUMMIT APPROACHES

Classified By: Charge d'Affaires Nicholas Dean. Reasons 1.4 (b/d).

Summary

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11. (C) SCA PDAS Steven Mann heard October 4 from Madav Kumar Nepal, General Secretary of the Communist Party of Nepal - United Marxist Leninist (UML), that success at the upcoming peace summit would depend in large part on reaching an agreement on the monarchy and Maoists arms management. MK Nepal expressed dissatisfaction with the way the Government of Nepal (GON) had handled the Maoists, including failing to act in response to Maoist abuses. His best guess was that the Maoist leadership truly did intend to bring the party into the democratic mainstream. The possibility of an attempted "October Revolution," however, could not be dismissed. A unified international message to the Maoists should be a U.S. goal, he stated.

Country Faces Challenges and Opportunities

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12. (C) Center-left Communist Party of Nepal - United Marxist Leninist (UML) General Secretary Madav Kumar Nepal told Steven Mann, Principal Deputy Assistant Secretary (PDAS) for South and Central Asian Affairs (SCA), on October 4 that the Government of Nepal (GON) had a challenge and an opportunity to transform the armed Maoist insurgents into a peaceful democratic party. For the first time in a decade, the Maoists seemed to have allowed Nepalis to return to their homes and villages for Dashain (the major Hindu holiday season) without the threat of violence, abduction and killing. (Note: According to press reports, the Maoists abducted at least one royalist ex-mayor over Dashain. End note.) The GON, he said, had to take a clear stand for democratic values and the law, but at the same time create an environment where it was possible for the Communist Party of Nepal (Maoist) (CPN-M) to enter the mainstream. The Parties had to consider the future of Nepal, where to take the country, and how to structure the state and the society. What was clear, according to the UML leader, was that that the GON had to respect the sovereignty of the people. No single individual or party could make all the decisions or be above the law.

## Monarchy A Key Open Issue

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13. (C) The General Secretary stated that the future of the monarchy was one of the major open issues in the peace talks between the GON and the CPN-M. He said that, in his view, a majority of Nepalis wanted the monarchy abolished. The Maoists were insisting on its immediate suspension. MK Nepal opined that it would be wrong for a group of peace negotiators or even for the Parliament to abolish a 280-year-old institution. The UML supported a referendum at the time of the constituent assembly election. This way the King's rights would also be respected. If he won the referendum, he would become a ceremonial monarch. If not, the country would become a republic. The Maoists, he added, were also insisting that all the King's property be nationalized immediately. That was wrong as well. What was necessary, MK Nepal remarked, was that the King's state and personal property be clearly separated. The Parliament had begun that process.

## Management of Maoist Army and Arms Another Issue

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14. (C) The other principal open issue, according to the UML leader, was how to manage the Maoist army and its arms. The Maoist combatants needed to go into camps. In the first stage, their identities would have to be verified and they would have to be registered. In the second stage, the General Secretary said, they would be separated from their weapons. The third stage would involve the integration of the CPN-M's People's Liberation Army (PLA) into various organizations, including the Nepal Army (NA) and the police, with some, perhaps, to be sent abroad to work. The most sensitive issue, MK Nepal admitted, was how to absorb them

into the NA. As he had told Maoist supremo Prachanda recently, the PLA was a politically motivated army. If any portion of it was to join the NA, the Maoists would have to sever their ties with it. Only the capable, professional combatants would be allowed to join the NA. The GON negotiators, he stated, had sought the advice of the NA, the police and other security experts on how to proceed.

## Future of the Nepal Army

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5, (C) The UML General Secretary pointed out to the SCA PDAS that the NA would also have to change. Before the insurgency, it consisted of 45,000 soldiers; it was 100,000-strong now. If peace came, it would need to be reduced gradually to 50,000. It would be important to free up budgetary funds for development. Some people were arguing that Nepal should abolish its army completely. The UML chief disagreed. Of course the NA could not ever hope to defeat the PRC's People's Liberation Army or the Indian Army, but that was not the point. The NA served other purposes, including as a provider of internal security in the event of a revival of the Maoist insurgency or the inception of another insurrection. What was crucial was that the NA be professional and loyal to the democracy.

## Interim Parliament and Government Solvable

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16. (C) MK Nepal told PDAS Mann that he did not anticipate the nature and composition of the Interim Parliament to be a major sticking point at the upcoming summit if the questions of the monarchy and Maoist arms management were resolved. The makeup of the Interim Government was also a matter that he expected the Seven-Party Alliance (SPA) and the CPN-M could work out. If Maoist intentions were honest, agreement could be found.

## Nepal's Economic Future

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17. (C) The UML General Secretary said that the Parties would

never agree to a Communist model of the state, but the new Nepal would not follow a completely laissez-faire economic model either. It would need to be a free market economy with social justice. He cited specifically the example of the Nordic countries. MK Nepal also spoke of the need for government assistance to certain sectors of Nepali industry until they were capable of standing on their own feet in international markets. Trade preferences from the developed economies for Nepal as a less-developed country would also be necessary. Nevertheless, the UML leader argued that Nepal's hydropower, tourism and agriculture potential had great promise. PDAS Mann agreed that Nepal's hydropower and tourism sector had great promise and stressed as well the importance of creating a legal environment in which small-scale business could thrive. Foreign investment was significant, but it was domestic investment, he stated, that drove the economy.

#### October Revolution?

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18. (C) PDAS Mann, noting that the Maoists past performance gave much cause for concern, asked the UML chief if he thought the CPN-M was prepared to compromise. MK Nepal admitted the GON had made many mistakes in dealing with the Maoists. The GON had given them too many preferences in the negotiations up until now. The CPN-M was using its weapons to intimidate and threaten people and meanwhile the state did nothing. One problem was that the GON's chief peace negotiator was also the Home Minister. The UML General Secretary stated to the SCA PDAS that he had told Minister

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Sitaula he was too flexible in dealing with the Maoists. In response to a question from PDAS Mann, MK Nepal responded that he did not know if the state's security apparatus were collecting information about the Maoists. Whether the CPN-M were seriously preparing for an "October Revolution" or not was unclear. Certainly, the security agencies had an obligation to be prepared for any eventuality. He said he

did not think the Nepal Police were ready, the Armed Police maybe. It would depend, MK Nepal remarked, on whether the Prime Minister or Home Minister had given the necessary instructions. In his opinion, however, the Maoist leaders would not dare go for an October Revolution. It would ruin their political reputation and create extreme distrust among the public. Mann stressed U.S. support for negotiations but advised that it would be a mistake to gain a peace at any price -- the negotiations should lead to a meaningful accord that sets Nepal on a path to democratic development.

#### Maoist Intentions

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19. (C) The UML head said that he did know all of the Maoist leaders. One group of them holding guns seemed to be pushing for a hard line in the negotiations. Their view, he said, seemed to be: Why be flexible, we are strong? Why not take over? But MK Nepal went on to say that he saw that as an unlikely outcome. The international community, civil society and the other parties would not tolerate it. Maoist extremists as well as the extreme right had to be watched carefully. Once the CPN-M combatants were in camps, then any person outside with a gun would have to be arrested immediately. Likewise, anyone who extorted funds. Gradually, the people with arms would be controlled. MK Nepal stated that he thought the Maoist leadership was genuinely considering joining the political process. He said he had met with the top leaders several years earlier in Luknow, India, in a widely reported incident, and already at that time, they were expressing interest in being accommodated. Prachanda, MK Nepal maintained, still had a firm grip on the CPN-M, but he was influenced by the party's Central Committee. It seemed from recent meetings with him, however, MK Nepal added, that Prachanda had experienced a change of heart. He wanted to take the party on a new path.

Recommendations for the U.S.

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¶10. (C) MK Nepal informed SCA PDAS Mann that the USG could be helpful by continuing to call the Maoists to account for their abuses and to question their commitment to democracy. He also urged the U.S. to take others in the international community into our confidence. The U.S., he said, should not be isolated. All the major international voices should be unified in their message to the Maoists, particularly the U.S. and Europe. International support for the Nepal Army to suppress any attempt by the Maoists to launch an October Revolution would be particularly important. Figuring out how to handle another people's movement would be more difficult for the Parties and the international community. The UML General Secretary also suggested that the U.S. use a carrot-and-stick approach with the Maoists. The trick for everyone was to give the Maoists enough of a carrot so they would be lured into the democratic mainstream. Joint statements by the international community or by the U.S. Congress were particularly influential in shaping CPN-M thinking.

Comment

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¶11. (C) The center-left UML leader was hopeful a deal could be struck at the upcoming Seven-Party Alliance-Maoist peace summit. MK Nepal seemed less concerned than other leading politicians from the center-right that the CPN-M could return to violence, but he also did not rule out the possibility of an attempted October Revolution. While it would be premature, in post's view, to offer the Maoists carrots at this point, MK Nepal's recommendation regarding a unified international position is worth pursuing. We do not expect to see completely eye-to-eye with our diplomatic colleagues. To the extent we can agree, however, our message is that much stronger.

¶12. (U) PDAS Mann has cleared this message.  
DEAN